

Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 XMB-02 EB-07 EA-07 EUR-12 /035 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2704

LIMITED OFFICIAL USE MEXICO 1258

PASS COMMERCE/MEPD/SANDS

PASS EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, ECRE, MX

SUBJECT: SIDERURGICA LAZARO CARDENAS-LAS TRUCHAS (SICARTSA)
EXPANSION

1. DURING RECENT DISCUSSION WITH SICARTSA MANAGER ARMANDO ORIVE, EMBOFF INQUIRED ABOUT COMPETITIVE POSITION OF U.S. COMPANIES ON PROJECTS COMPRISING SECOND STAGE OF MILL CONSTRUCTION. ORIVE REPLIED JAPANESE AND FRENCH SEEM STRONGEST. AS EMBOFF REVIEWED INDIVIDUAL SECOND STATE PACKAGES AND U.S. COMPANIES PREQUALIFYING, ORIVE'S ONLY COMMENT CONCERNED U.S. STEEL'S WITHDRAWAL FROM COMPETITION. HE SAID USS CONDUCT PUZZLING SINCE COMPANY INITIALLY PREQUALIFIED, WITHDREW, SUBSEQUENTLY RE-ENTERED AND FINALLY RETIRED.

2. IN RESPONSE TO QUESTION, ORIVE SAID WASHINGTON MEETING BETWEEN SICARTSA OFFICIALS AND EXIMBANK CHAIRMAN CASEY COVERED SAME GROUND EXPLORED DURING MR CASEY'S VISIT TO MEXICO LAST SEPTEMBER. ORIVE EMPHASIZED EUROPEAN SUPPLIERS WERE OFFERING 7-1/2 TO 8 PERCENT FINANCING, A FIGURE CONSIDERABLY BELOW EXIMBANK'S CURRENT RATE. HE REMARKED THAT EUROPEANS' ABILITY TO PROVIDE MORE ATTRACTIVE FINANCING GAVE THEIR SUPPLIERS EDGE OVER U.S. COMPETITORS.

3. COMMENT: ORIVE'S REMARKS SIGNAL DIM PROSPECTS AHEAD FOR
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U.S. SUPPLIERS. HE OFFERED LITTLE ENCOURAGEMENT AND, WHILE

AVOIDING DIRECT NEGATIVE STATEMENTS ABOUT U.S. CHANCES, LEFT
LITTLE ROOM FOR OPTIMISM. DESPITE CONTINUED ASSURANCES FROM
ORIVE AND OTHERS THAT NO BIAS EXISTS AGAINST U.S. SOURCING,
IT SEEMS LIKELY THAT U.S. FIRMS WILL CONTINUE TO HAVE TROUBLES
CRACKING THE LAS TRUCHAS PROJECT.

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